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PRESENTATION

Operator

Good day, and welcome to the DENTSPLY International, Inc., 2009 fourth quarter earnings conference call. Today's conference is being recorded.

At this time I would like to turn the conference over to Mr. Bret Wise, the Chairman and Chief Executive Officer. Please go ahead, sir.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Thank you, Missy, and good morning everyone, and thank you for joining us on our fourth quarter call. This is Bret Wise, Chairman and Chief Executive Officer. And also with us are Chris Clark, our President and Chief Operating Officer and Bill Jellison, Senior Vice President, Chief Financial Officer. Each of the three of us have some prepared remarks today. We'll comment on the state of the market in late 2009, and how we seeing it going into 2010, And of course we'll cover in detail our fourth quarter 2009 performance, as well as the full-year 2009 performance. And as usual following our formal remarks we will be pleased to answer any questions you may have.

Before we get started, it is important to note that this conference call will in fact include forward-looking statements involving risks and uncertainties, and those should be considered in conjunction with the risk factors and uncertainties described in the Company's most recenter annual report on Form 10-K, and our quarterly filings on Form 10-Q, as well as our press releases and other filings and the SEC. It is important to note that the Company undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this call. And as usual a recording of this conference call in its entirety will be available on our website.

Last evening we were pleased to announce fourth quarter and full-year earnings. Our 2009 performance I think illustrates DENTSPLY's ability to deliver consistent performance throughout economic cycles. We achieved solid results in a very challenging market largely due to efforts to balance continued investment and growth prospects, but also a rapid reduction in our non essential discretionary expenses. On balance, I think we did a good job controlling costs, taking market share in select markets and improving cash flows. Fourth quarter results show some signs of markets stabilizing, and also even improving in certain markets.

In total, the fourth quarter sales were up 11.3% X precious metals, and that was driven by constant currency of 5.7% and a currency benefit of 5.6%. The constant currency growth of 5.7% included internal growth of a positive 0.6%, and acquisition growth of 5.1%. Looking at just the dental business, excluding our non-dental businesses, the internal growth would have been 1.3%. I think it is important to note this is the first positive internal growth we've seen since Q3 of 2008. And although we had an easier comp in the fourth quarter, we nevertheless view the positive growth as reflective of perhaps a modest improvement in select markets in some regions of the world.

The dental internal growth was driven by positive growth in our consumable lines and our specialty products in total, which were both positive during the quarter. The prosthetics business continues to lag and had negative internal growth in the quarter. I think there were a couple of important messages here. One is that consumable growth appears to be coming back the fastest in the market. And while we recognize there is a low base year comparison with consumables, particularly the in the US, this growth is a good indicator that everyday dentistry being performed at a higher pace. And I think it's probably also an indicator that we're taking share in some of these broad categories.

The specialties which we continue to experience positive internal growth in implants and orthodontics, and just slightly negative internal growth in endodontics held up pretty well throughout the recession. I think that is important to note that our specialty businesses in the aggregate have reported positive internal growth in all four quarters of 2009. And although they're not really growing rapidly yet at this point, they appear to be holding their own in a slow-growth pattern. And given the growth that we've experienced in these categories, we believe we continue to outperform the market and take share. The prosthetics market, that's the products sold primarily through the dental lab appears to be the most economically sensitive as these procedures generally come at a high cost, they're somewhat discretionary and deferrable. This market continues to contract, and we don't see any meaningful signs of recovery in either the US or Europe at this point.

Geographic growth was much improved in the US with internal growth of 3.0% in total, and 4.2% for the dental business. while Europe was a negative 3.5% in total, and rest of the world was positive 4.9%. A couple observations, the US dental growth reflects chair-side consumable growth in the double-digits, and that was aided by an easier comp from the prior year. Adjusting for our best guess at what were the changes in dealer inventory this year versus last, and also for anesthetic product outage last year, we think we probably grew 1% to 2% in consumables in the quarter. And we believe that's probably more reflective of market growth, or perhaps just above market.

Our specialty products in the US continue to grow in the 2% to 3% range this quarter ,which is a slight pickup. This is also off the lower comp in the prior year quarter, but probably also above market. And lastly, the prosthetics business in the US experienced double-digit decline in the quarter, where in the prior year it was essentially flat. And actually reflects probably unfavorable changes in dealer inventories this year compared to last year. Absent the changes in the dealer inventory, we believe the prosthetics business would have been down probably mid single digits. Europe also showed growth in consumables in implants in the quarter, but not to the extent we've seen in the US, while lab was also negative in Europe.

Just a reminder that Europe was still growing in the 4% to 3% range in the fourth quarter of last year. So this is a region where we're actually up against tougher comps in the prior year. At this point it is evident to us that US market is likely to recover first, and with the economic trends in the earliest stimulus that was applied in the US, we believe that we'll emerge and begin to

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grow earlier, and perhaps faster than Europe, which, of course, entered the recession later, and had less stimulus to exit the recession at this point. And the rest of the world category it is usual, mixed bag. We saw however, particularly strong or improving growth in Latin America, Canada, Japan and Australia. Overall, a positive trend seems to be developing in numerous regions.

On the earnings side we produced $0.50 per diluted share in the quarter on GAAP reported basis, and $0.48 on a non-GAAP basis, or 6.7% improvement on a non-GAAP basis. nd this was in fact a record fourth quarter for the Company on an earnings' basis. Bill will speak more to the components, but at a high level, we did continue to experience gross margin contraction this quarter, as we brought inventories down. However I feel we're getting probably getting closer to a point where we need to be on inventory. And I would now expect production in the quarter to return to match closer to demand levels. And this should give us some relief from the cost absorption issues that we faced for a couple of quarters, and allow for sequential improvement in gross margins as we enter 2010.

For the full-year 2009, our net sales decreased slightly by 1.5%, that includes precious metals. Excluding precious metals it was basically flat, it was down one-tenth of 1%, versus the record revenue that we reported in 2008. Internal growth was negative for the quarter, at negative 2. -- excuse me -- for the year at negative 2.2% in total, and a negative 1.3% for our dental business. While both these measures are probably the lowest we've seen in many years, we do think we weathered an extraordinary economic contraction, and outperformed many other companies inside and outside of the dental industry. Our acquisition growth was 4.5%, which allowed us to report positive constant currency growth of 2.3% for the full-year.

Currency translation was a big headwind for us in 2009, it reduced sales by 2.4%, which in turn pulled our overall sales for the year to slightly below the 2008 level. In 2010, we initially had expected some relief from currency. However, the dollar has strengthened really remarkably in the past ten days, such that if rates remain where they are today we in fact would face a small head wind in 2010. Putting the full-year in perspective, sales in 2009 were essentially flat with 2008, and earnings on a non-GAAP basis declined just 2.1%, compared with our all-time record in sales and earnings in 2008. And this is despite what turned out to be a very deep recession, and a very negative currency environment for us.

One last comment on 2009, we did produce very strong cash flow in the year, it was up close to 8% for the full-year. During the fourth quarter we did step up our share repurchase program and expect to have additional activity in this area in 2010. As we said before, business development or acquisitions is our primary use for free cash flow, and we hope to see that be more active in 2010. Early in the year we have completed one small transaction, and we've signed at that we expect to close here in the first quarter. We entered 2010 with a very strong balance sheet and are well positioned to take advantage of those opportunities if they arise.

Looking forward, the rate of any economic recovery I guess still remains uncertain, and we'll likely develop at very different paces depend on the region. At this point, we feel the markets are gradually recovering in the US with the possible exception of prosthetics, which we mentioned here this morning. And the markets in Europe are not consistently recovering at this point, but vary greatly by country. And the rest of the world category, of course, is mixed. Chris, I've asked Chris to speak more to the developing growth trends we see in the market when he gets his prepared remarks in a few minutes.

Overall 2010, we do expect to have positive internal growth probably in the low single-digit range, given the outlook for economic growth and employment levels. In addition, currency at this point looks like it could be a modest head wind for 2010, if rates remain where they are today. For our own internal planning purposes, we're considering European currency rates to be comparable in 2010, to what we saw for the full-year 2009, which would require the dollar to weaken just a bit from where it is today. Our earnings outlook is likewise influenced by the dramatic strengthening of the dollar in the last week and 10 days.

Given this strengthening, we have moved currency assumption to be neutral with 2010 as I mentioned. And also adjusted our internal outlook on earnings down by a few cents a share, at both the high end and the low end of the range to reflect this change in the currency environment. Accordingly, we're initiating our earnings guidance at $1.90 to $2.00 per share for all of 2010. Again, this reflects our belief that the markets are beginning to improve, but on a gradual basis, that we will return to positive internal growth in 2010, and that European currencies will essentially be neutral with the dollar in 2010, compared to

2009. That conclude my prepared remarks. I'd like to now turn the call over to Chris Clark, who will discuss market developments further. Chris?

Chris Clark - *DENTSPLY International Inc. - EVP, COO*

Thank you, Brett, good morning, everyone. As Bret mentioned, we're beginning to see some signs of stabilization or slight improvement in certain market segments and geographies. I would like to take just a few moments to provide some additional perspective to some of the trends we are seeing. As we look at the various markets, it appears that consumable growth may be coming back the fastest. While we were helped by some favorable prior year comparisons, our consumable business is showing some degree of gradual strengthening over the past two quarters, particularly in the US. The European consumable market appears to be less uniform thus far in its recovery.

We do believe the conditions in the UK, France, Italy and Germany as a whole, are generally consistent with what we're seeing in the US. But Spain, CIS, including Russia and Eastern Europe, continue to face very difficult market conditions due to particularly weak local economies, high unemployment levels and in some cases continued weak currencies. We did see some improvements in CIS in the quarter, as demand appears to have improved a bit sequentially. One encouraging sign in the quarter as well on the consumables front was a solid improvement on our small equipment product lines, indicating the dentists may be feeling a little more confident and willing to invest a bit more proactively in these types of products.

We do believe as a whole, we gained market share in the global consumables market during 2009. As Brett mentioned, our specialties business continues to experience positive growth as a whole. And we believe that we are outperforming market here as well. We don't see any significant change in the global demand for implants which we believe are still down mid-single-digits, although we continue to outpace the growth rate of most of our competitors and grew internally once again in the quarter. We're particularly gaining ground in the US behind investments we've made to the US implant business over the last few years. We believe the global endodontic market to be down slightly, although this is probably an area that's somewhat less impacted by the economy, at least so far as treatment of symptomatic cases.

On the orthodontic side, although we believe the global ortho market is flat at best, we continue to post positive internal growth. And for the year we saw stronger orthodontic market in Europe as opposed to the US, due largely in differences in reimbursement coverages. Regarding the lab business, this area remains most negatively impacted by the economy. And as Brett mentioned we're really not seeing any noticeable improvement in market conditions thus far. The removable or denture segment of the lab business continues to be more stable at an end user demand level, compared to the fixed segment of chronic bridge which is facing particular pressure from lower cost, clinical alternatives to traditional solutions of precious metal frame works, or all ceramic restorations. Unlike the consumable side, we don't see any appreciable improvement of the willingness of labs at this point to invest in equipment.

From geographic standpoint, I want to touch briefly on two other areas, where we believe our performance continues to solidly outpace market growth. While the Australian dental market probably held ground better than most other developed markets in 2009, we are particularly pleased with our double-digit internal growth performance there, and we do believe that to be well above market growth. While in Japan, while it's slightly negative internal growth for the year, indications are that we outpaced markets in Japan by at least five points, again indicating that we should be making solid market share improvement. We're particularly encouraged by Japanese performance in light of the significant decline of the private market in Japan, which includes most of the specialty businesses that have been accretive to our growth rate there for the last several years. I now would like to turn the call over to Bill Jellison, will who cover the financial results for the fourth quarter and 2009 in greater detail. Bill?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Thanks, Chris. Good morning, everyone. As Bret mentioned, net sales for the fourth quarter of 2009 increased by 11.9%, and net sales excluding precious metals content, increased 11.3% in the quarter, with internal growth up positive up 0.6% in the period. Net sales for the full-year were $2.2 billion, a decrease of 1.5% over last year, while net sales X precious metals were $2 billion, virtually flat for the year. The 2009 geographic mix of sales without precious metal content was as follows. The US represents 38% of sales, Europe was 41% this year, and the rest of the world was 21% of sales. Gross margins for the fourth quarter were 54.7% of sales, X precious metals, or a decrease of 3.3 percentage points compared to the fourth quarter of 2008.

Gross margins were negatively impacted this quarter by the roll off of the higher costs captured in our inventory last quarter. They were also negatively impacted by unfavorable mix in the period, especially of products within the product category, and by unabsorbed overhead costs, as inventories were brought down on an -- brought down an additional seven days in the quarter, compared to building them by six days in the fourth quarter of 2008. Although the lower volume, driven in part by our inventory reductions were a drag on margins in the latter half of 2009, we should see the cost structure begin to improve sequentially as we move into 2010, as production more closely matches sell-through of our products.

Full-year gross margins were 55.8% X precious metals, compared to 57.8% last year. Negative product mix, FX, and under absorbed operating costs were the biggest contributors, offset somewhat by improved pricing in the year. SG&A expenses were $180 million or 34.6% of sales X precious metals in the fourth quarter of 2009, versus 37.2% in the fourth quarter of 2008. SG&A expenses continue to show improvement, compared to last year both for the quarter, and also for the full-year. These expenses were not only lower than those in last year's fourth quarter on constant dollar basis despite acquisitions, but they were also lowered when they were measured as a percent of sales.

Expenses continue to be tightly controlled in many areas as we work to not only bring down discretionary costs, but also to reduce fixed expenses to maintain an appropriate balance, while at the same time making some key investments or drive -- to drive future growth. Total year SG&A was $723.2 million or 36.3% of sales X precious metals in 2009, versus 37.1% in 2008. Operating margins were 18.2%, including restructuring and other expenses in the fourth quarter of 2009. Operating margins were 19.9% on sales X precious metals in the fourth quarter of 2009, and 18.3% in the same period last year, including restructuring, impairments and other charges. Operating margins X precious metals on a non-GAAP basis excluding restructuring, impairments and other charges in both periods were 20.1% for the fourth quarter of 2009, compared to 20.9% in the fourth quarter of 2008.

Full-year operating margins were 19.1% on sales X precious metals in 2009, and 19.1% in 2008. Operating margins on sales X precious metals on a non-GAAP basis excluding restructuring, impairments and other charges, were 19.7% in 2009, compared to 20.7% in 2008. Net interest and other expense in the fourth quarter was $4 million, or $6.6 million lower than last year's fourth quarter. Interest expense was $0.2 million lower in the quarter than last year, and FX transaction losses and other expenses were $6.4 million lower in the quarter, compared to the same period last year, as last year was negatively impacted by the volatility and foreign exchange rates in the period.

Net interest and other expense for the full-year was $17.8 million, or an expense reduction of $7.7 million for the year. Net interest expense was $16.8 million in 2009, compared to net interest expense of $15.4 million in 2008, or an increase of $1.4 million. Although interest expense was lower in 2009, the low interest rates on invested cash caused net interest expense to increase during the year. The impact of foreign exchange transaction losses and other items in 2009, was an expense of $1 million in 2009, versus an expense of $10.1 million last -- or in 2008, or an expense reduction of $9.1 million. This primarily related to the significant foreign exchange transaction losses that occurred in the back half of 2008.

The tax rate for the fourth quarter was 23.5%, compared to 5.9% in the fourth quarter of 2008. However, the operational tax rates in these periods were 26.9% in the fourth quarter of 2009, and 22% in the fourth quarter of 2008. The 2009 full-year tax rate of 24.5% included an operational rate of 26.1%, compared to 25.9% in 2008. You should note that while the FX transaction impact was favorable in the fourth quarter, the negative impact of our operational tax rate nearly offset this benefit in this period. To better understand and follow some of the following comments, you can look at the tables included in our recent press release, which reconciles performance from US Generally Accepted Accounting Principles, or GAAP, to adjusted non-GAAP performance.

Net income attributed to DENTSPLY International, Inc. for the fourth quarter of 2009 was $75 million or $0.50 per diluted share, compared to $71 million or $0.47 per diluted share in the fourth quarter of 2008. On an adjusted basis, earnings excluding restructuring, impairments and other related items and tax adjustments in both periods which constitute a non-GAAP measure, were $72.6 million or $0.48 per diluted share in the fourth quarter of 2009, compared to $67.8 million or $0.45 per diluted share in the fourth quarter of 2008, an increase of 6.7% in diluted earnings per share.

Net income attributable to DENTSPLY International in 2009 for the full-year was $274.4 million or $1.83 per diluted share. Net income for 2008 was $283.9 million, or $1.87 per diluted share. Net income for comparability purposes on a non-GAAP basis excluding the reconciling items in the press release for the years 2009 and 2008, were $275.7 million and $285.5 million, respectively. This represents earnings of $1.84 per diluted share for 2009, compared to $1.88 in 2008, a decrease of 2.1% for the year.

In looking at our cash flow and some balance sheet-related items, our operating cash flow was $117 million generated in the fourth quarter of 2009. Operating cash flows for the year were approximately $362 million, compared to $336 million in 2008. Capital expenditures were 57 -- $56 million for the year, with depreciation and amortization for the year totaling $65 million. Inventory days ended the year at 99 days for 2009 year-end, versus 103 days last year or in 2008. In the first half of the year inventories crept up, production levels weren't cut back as quickly as the falloff in sales. However in the last half of the year inventory levels were reduced by 11 days, as specific actions were taken to get inventories back in line.

Receivable days ended 2009 at 55 days, compared to 61 days at the end of the third quarter of 2009, and 54 days at the end of 2008. We were very pleased with the significant improvement we saw from both our collection efforts, and the improved liquidity of our customers, that they experienced in the fourth quarter. This, along with the further assessment of our bad-debt reserve and specific receivable write-offs, allowed us to have reduction in our allowance for doubtful accounts in the period. We are hopeful that these improvements will continue as the global liquidity continues to improve as move through 2010. The balance sheet is strengthened even further during 2009, and ends the year in very good shape. The year ended with $450 million in cash and short-term investments, with total debt of $470 million at the end of 2009.

DENTSPLY repurchased 2.5 million shares for $79 million in 2009, based on the Company's authorization to maintain up to 17 million shares of treasury stock, we still have approximately 1.2 million shares available for repurchase. We repurchased approximately 1.7 million shares in the fourth quarter, and expect to continue to have some additional share repurchase in 2010. We continue to monitor both the market's liquidity and our investment needs in making these decisions. In looking at 2010, we believe currency translation impacts at current foreign exchange rates should have a slightly negative sales and earnings impact for the year, and the recent volatility in these markets make it even more difficult to predict. Our guidance is based on a slightly weaker dollar, at levels closer to 2009's average exchange rates.

We are also facing SG&A headwinds, north of a half a percentage point of sales, as commission expenses, bonuses and customer rebate levels are reset to reflect the more normalized budget. We are anticipating some improvements in gross profit margins during the year, which will also help to offset some, if not more than offset, the SG&A headwinds. Global economic markets are also beginning to show signs of improvement, and we are hopeful that the improvement will continue. We believe that as the global economies improve, the global dental market will also be able to return to positive growth once again in 2010.

As Bret stated, our guidance for earnings in 2010 is in the range of $1.90 to $2.00 per diluted share. This excludes restructuring and other costs, and income tax related adjustments. While we will be focused on sales growth and gross profit margin improvements for the year, we are also confident in the position -- our position in the market and we will continue to make investments to support our business, as well as for our future earnings growth. That concludes our prepared remarks, and we'd be glad to answer any questions that you may have at this time.

QUESTIONS AND ANSWERS

Operator

Absolutely.

We'll take our first question from Derek Leckow with Barrington Research. Please go ahead.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Thank you. Good morning, everybody.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Good morning.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

On the comments, Brett, about the internal growth rate of dental, 1.3% positive, later on you said that chair-side consumables were up in double-digits, and grew I think 1 -- 1% to 2%, if you excluded something unusual in there? Can you explain that a little bit better?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Sure, Derek, what I was trying to give you some background on is you might remember last year in the fourth quarter -- going into the fourth quarter -- actually last year, at the end of the third quarter, we implemented some price increases that were above kind of our historic norm.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Okay.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

And that pulled product into Q3 last year, and out of Q4 last year, so it created kind of a low base for Q4 last year. And the second issue was, at the end of the third quarter last year, we warned that we were suffering an outage at our manufacturer for dental anesthetics manufacturer in the US suffered a plant outage, and we would be out of market in the fourth quarter for anesthetics. And that in fact happened. So last year's internal growth rate for consumables, which is the category that is affected by both of those items, was artificially low. And that causes the comparison this year to be artificially high. So we were trying to reconcile that down for you for purposes of understanding the mid-teens type consumable growth for us this year.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Okay.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think what I would add to that, and perhaps should have had that in my prepared remarks was, when we were exiting the third quarter, we had told you that this same circumstance had caused third quarter's internal growth to be low by, about a half a point to a point. This is the 2009 growth. It had the counter-effect on Q4. Meaning our worldwide growth was probably helped by a half a point to a point, because of these circumstances. And that is the background I was trying to give you.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

I think you characterized it as a return to normalized level of inventory in the channel, as opposed to something that may have brought in any revenue from Q1.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Oh yes, that's true, that's true.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Just to look at the gross margin contraction, what -- what percentage of that change would be -- or what -- how many basis points were attributable to the under absorption issue?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I'll let Bill address that, but first I'd like to have an overview comment on that.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Okay.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Just to make sure everyone is clear. We saw, when we entered the recession late last year, early this year, we saw inventories rise dramatically in Q4 in of 2008 and Q1 of 2009. So that created -- that bubble in inventory -- created excess absorption in our costs, meaning it improved our costs last year. This year we brought inventories down by, I don't know by the exact amount, four or five days. And some of those costs were hung up, that under absorption, was hung up in inventory costs. And in the fourth quarter we brought them down another seven days, and none of those costs are hung up in inventory at the end of the fourth quarter. So in the fourth quarter, we took that absorption hit, for both the inventory reduction in the third quarter and the fourth quarter, compared to building inventory in the prior year. I think that is the overview. Bill can give you more of the specifics.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

That is exactly correct, on the swing in the production levels, which makes a big difference in how we're absorbing the overhead in those products. But the impacts specifically in the fourth quarter, was about 170 basis points of that margin change.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Okay. Understood. And then going into next year, you're looking for an improvement. I guess that improvement would begin at the beginning of the year, right? It wouldn't necessarily be something that creeps up throughout the year? Is that the right way to look at that?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think generally yes. I mean, we believe we should be able to run the plants now to meet demand, not lower than demand levels. That should give us improved margins as we enter 2010.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes, I think sequentially you'll see some of that, Derek, between the third quarter and the first quarter, although year-over-year comparison you won't see that much of it until the back half of the year.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

All right. As I look at the guidance, the comments that you made, what are you consuming in there for interest and other expense, if you can help us with that line? And then as well, you're going to be buying back more stock it looks like with the cash balance where it is. And maybe you want to comment on what you're assuming for a deal. I don't think normally you don't give guidance for what you assume for acquisition activity, but those numbers are just really the internal growth expectations, right?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Yes. I mean, we don't -- in our guidance we don't anticipate any M&A activity that hasn't occurred. And likewise our guidance, we do have an authorization for stock buy-backs right now. I think there is 1.2 million left right in it, but it doesn't contemplate any share repurchases beyond that.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

So I should kind of assume a 149 kind of shares outstanding for 2010?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

I mean, I think that, part of that is dependent, obviously, what happens with the stock price, because of the dilution of it. But that is at least reasonable in the range.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

And the interest and other expense line, would that be kind of--

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Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Interest and other expense line, Derek, we really don't give specific guidance associated with that. Obviously we're expected to generate a significant amount of cash again this year. It depends on how we deploy that cash, whether in acquisitions or stock buy backs. But it also, it is obviously highly dependent upon where the interest goes. That was one of the biggest negative impacts in 2009 for us, was that in the beginning of the year we were making over 3% on our interest income from our investments, and by the end of the year we were making about 20 basis points.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

The bigger swing factor this year would probably be currency and that's the part I'm having trouble.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

On that category, though, Derek, just like for us, swings on the currency within that category of line, is only the difference in transactions that are occurring in that period, and the volatility that occurs specifically within that quarter. So even in our forecasting, we generally forecast that to be zero or flat, because literally it could move either in a positive or negative direction within the specific quarter.

Derek Leckow - *Barrington Research Associates, Inc. - Analyst*

Or flat. Alright. Thank you very much guys, really appreciate it.

Operator

Thank you. We'll take our neck question from Jeff Johnson with Robert Baird & Co. Please go ahead.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Thank you, and good morning, guys.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Good morning.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

I wonder, first, Brett, if we can focus on some of your strategic investments. I'm sure you don't want to tip your hand too much. But it is one of the reasons you are talking about guidance where it is, and just wondering if you could provide any more color on those investments?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I'll give you a little bit but not much. We have been focussed on two areas, one is enhanced R&D investments in certain businesses, which we began implementing last year. And going into 2010 we expect to be a little bit higher. And, secondly, we did initiate a sales force expansion in one of our businesses in the fourth quarter, which we kind of gave you a heads-up to going, when we exited the third quarter. And that sales force expansion is pretty much in place now. And there will be some additional marketing expenses behind it here in 2010. It is two areas, it is R&D and it is the sales force expansion.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And, Brett, I think that was -- that sales force expansion was in the dental implant area, is that correct, or can you talk about that?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

We haven't given any guidance as to where that expansion took place.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Alright. Fair enough. And then acquisition growth a little higher in the quarter, I'm assuming that wasn't just a huge pickup in certainly in Zhermack or something. Was there a deal in Q4 that actually contributed to the number?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

No, I think what's -- the 5.1% acquisition growth in the fourth quarter is driven by the businesses that we have bought performed really well. So, we don't count the organic growth that happens in an acquisition in the first year as organic growth. We count it as acquisition growth. But I think that's an indicator to you that the acquisitions performed pretty well in the fourth quarter. And the other indicator of course, would be the line in the income statement where we back out the income attributable to -- where we own less than 100%, we back out the income that is attributable to the minority interest.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

No, I got you. On the Zhermack side, did that at all contribute to the gross margin pressure as well during the quarter?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, it did because it hadn't anniversaried yet, but now it is now anniversaried, and it won't contribute to it anymore presumably.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And, Bill, I guess you can help me out on that point, then, just if 170 bps in the corner was lack of overhead absorption on the inventory side, how much was mix, at least in deals that have now anniversaried?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Well, yes, on deals that have anniversaried it has been an impact of around just under -- just under a half of a percentage point. Keep in mind that those acquisitions are still obviously in our numbers moving forward, it is just not a reduction off of comparables.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

So don't necessarily add the 170 and the 50 together and assume sequentially that you go up 120 bps?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Correct.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Those periods sequentially, that's right.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Fair enough. I guess -- the gross margin comment that I'm still a little uncertain on, or the point that I'm uncertain on, why did the Q3 lack of overhead absorption of inventory roll into Q4, but the Q4 lack of overhead absorption roll into Q4 as well, just was it -- can you explain that timing a little bit more.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Sure. It is really based on the size and the impacts of those activities. In fact, if you looked at the third quarter, some of the costs that were being under absorbed and the higher expense levels within that period, still hit the third quarter. It's just that because of the magnitude got carried over some into the fourth quarter, and rolled off with the inventory. Where in this quarter, the majority of it had actually occurred within the third quarter, and some also within the fourth quarter, but by time that inventory rolled off, it still fell into the fourth quarter period. It doesn't impact the first quarter.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Okay. Great. And then last couple of questions here. Just your European comp turns about seven points easier, so you're in Q1 of 2010, you go from plus 4% in Q4 2008 to minus 3% % in Q1 of 2009, as you will remember. And we are lapping kind of the 20% down Russia and Spain type of performances, things like that. So is there reason to believe that, we at least give back the kind of -- to even if not slight growth in Europe early in 2010, or is that too aggressive to be thinking at this point?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Well, I think Europe is -- our visibility in Europe is much less than our visibility in the United States. There's a lot of things happening there today even, about how are they going to deal with currency issues across some of these countries that are still facing a pretty substantial crisis. And there was news out this morning about them helping out Greece. In think in the developed part of Europe, we have more visibility. And Chris commented, that there appears to be signs of improvement there as well. But in the countries like that you've mentioned, the old CIS countries, Spain, Greece, to a lesser extent, Italy, there is still a lot of uncertainty. One thing is certain, and that is that the -- that the negative that we had last year in some of those countries may become neutral now. It may not improve, but it may be neutral with the comparison. And by eliminating that negative, it could have a positive impact on our growth in the region.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Right. Remind me, Brett, those areas account maybe in the ballpark of 15% of Europe?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Do you know the percentages? Bill is saying 10 to 15 probably.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

10 to 15? Fair enough. Last question then just for Bill, the sales percentages by geography, I know you provided for 2009. Could you just provide the Q4's, and also just what tax rate on on operational basis should be in 2010? Thanks.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

You're talking about the geographic mix, I'm sorry, in the fourth quarter?

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

Yes, I know you provided it for the year, but I don't want to have to do the math.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Sure. No problem. In the United States, it was actually up just under 32% for the quarter. Europe was actually stronger at 44.3%. And the rest of the world was 23.6.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And that's on a reported basis, right?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

That's on a X precious metals .

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

So that's on a X pm but reported. So currency is what helped Europe go up there I am assuming?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Correct.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

And just operational tax rate for 2010?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

We have not kind of stated what that is, but I think it is reasonable to assume that the rate should probably stay in the same kind of range as 2009's.

Jeff Johnson - *Robert W. Baird & Company, Inc. - Analyst*

All right. Great. Thanks, guys.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Thank you.

Operator

Thank you . Thank you we'll take our next question from John with William Blair. Please go

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Natalie Nadler - *William Blair - Analyst*

Hi, thanks, it is actually [Natalie Nadler] in for John today. I was hoping what you're hearing from your sales force on patient traffic turns in dental offices these days, and if you're seeing any changes there?

Chris Clark - *DENTSPLY International Inc. - EVP, COO*

Yes, Natalie, it is Chris. I would characterize it as a mixed bag overall. Maybe up slightly. I don't think we've seen any hugely appreciable change. But I guess I would say that the US consumables markets would -- consumables market in general would probably be the best barometer of that in terms of just general traffic flow. Obviously we're feeling a little bit more positive about the trends in that segment, so I would say maybe slightly up.

Natalie Nadler - *William Blair - Analyst*

Okay. Great. And then, Bill , I know you typically target 20 to 50 basis points of improvement in operating margin. Is that still in your guidance for

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Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

As we talked about, one, we don't give specific guidance on the margin side of the equation year-over-year, but I think it is fair to say that if you looked at the lower end of our range, that's probably assuming very little, probably zero margin-related improvements. But if you go to the top end of the range it would absolutely include margin improvement.

Natalie Nadler - *William Blair - Analyst*

Okay. Thanks very much.

Operator

Thank you . Our next question comes from Larry Marsh at Barclays Capital, please go

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Larry Marsh - *Barclays Capital - Analyst*

Thanks, and good morning. Maybe if I could elaborate a little bit on your working capital. Obviously, you guys continue to do a great job in managing that. And it seems like the story for 2009 was really pulling down inventories to match demand. I just want to make sure I'm hearing correctly. You're suggesting now with inventories, you think they're going to grow in line with revenues this year. And, if so, then where else -- do you anticipate getting any other benefits on working capital line anywhere else on your balance sheet?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Larry, this is Bill Jellison. I think it is fair to say that our expectations, as we mentioned on the inventory side, is that we're expecting inventories to track more in line with what our sell-through level is on the products. . We probably have a slight improvement expected on the inventory side, maybe a day or two, but not a lot in comparison to the 2009 numbers. As as far as accounts receivables are concerned, I would say that we believe they are in very, very good shape right now, even in this type of market. And I would probably not expect much improvement. Maybe a day. We don't see any deterioration, but, there probably wouldn't be much of an improvement off of the levels that existed off the end of the

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Larry Marsh - *Barclays Capital - Analyst*

Okay. Got it. So then in -- Bill, what you had said on CapEx for this year?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

CapEx for 2010?

Larry Marsh - *Barclays Capital - Analyst*

Yes.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

For 2010, I mean, keep in mind that 2009 we were down significantly obviously because of the lower volume levels at 56. I think it is fair to assume that our CapEx would probably rebound up to more of a normalized level, in probably the kind of of that mid-70ish kind of range, in comparison to where we have been in the past.

Larry Marsh - *Barclays Capital - Analyst*

Right .So I guess the message is, even again with the challenge of free cash flow this past year was up quite nicely. So it sounds like, just on the free cash flow line, given big boost in CapEx, and a little less benefit on inventories, you would anticipate free cash flow -- what -- to be flat to down versus 2009?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

I think it's fair to say that the swing on the CapEx on the side would absolutely have impact on the free cash flow. And that is probably a reasonable assumption is right in that range. Although, the expectation on both the earnings side, as well as some of our other management-related activities, will continue to drive that cash. But I think that is is fair to assume kind of the assumption you're looking at there.

Larry Marsh - *Barclays Capital - Analyst*

Second question is on the tax rate, I know to Jeff's question you said to assume about the same level this year, than last year. But sort of as you think about the next couple of years, just kind of confirm, are there additional opportunities in your view to bring that down? Or given the challenging global budget situations for most countries is that's going to be a tougher road to hoe?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

I think on our side of the equation, that that is a key part of our general strategy and management across the board. And we're driving that at each one of our different divisions. So we would still expect to see some improvements over the next couple of years in those areas.

Larry Marsh - *Barclays Capital - Analyst*

Ok, so that is consistent with what you said in the past. Second question, just to confirm what you had said, basically currency is a source -- FX is a source of volatility, and how you think about guidance, I think you said in your comments -- just the strength in the dollar here in the last month, is -- pulled out a couple of cents in your range. I just want to make sure I heard that correctly. And then just, besides the optics of translation, how else does volatility in currency markets, potential volatility, especially versus the euro impact your business as you plan 2010?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, Larry, let me take a stab at that, and I think Bill wants to revisit this last question on tax. What transpired was that at the dollar, of course, had weakened pretty substantially against the Euro and the Swiss franc up until about three or four weeks ago. Just in the last week, kind of since last Friday, the dollar dramatically strengthened against the Euro in particular. And I would say the comments in our prepared remarks were intended to let you know that if we had issued our guidance, let's say two weeks ago, it would have been higher than what it is today. Meaning that dramatic change in the currency, the particularly against the euro, but also to a lesser extent against the Swiss currency, drove us to lower our guidance a couple of cents on both the top end and the low end of the range.

So I guess for people that had issued their own guidance before that, they wouldn't have had the opportunity to take that into account. And we're trying to send you a signal now that needs to be taken into account. We don't try to predict currencies in our own guidance. I mean, we said this year, we're assuming it is going to be neutral the European currencies against US currency, neutral in 2010 versus 2009, which would require a slight weakening of the dollar, not a lot, but just a little bit. But within our range of guidance, $1.90 to $2.00, of course there is room in there for different levels of currency. There is room in there for different levels of internal growth. And as Bill said, different levels of operating margin expansion. I am going to let Bill now address kind of how you should understand what a movement in the currency would mean to us on the bottom line. And then I think he wants to revisit the tax question.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

On the currency side of the equation, what we generally do is give a rough benchmark there, that if currencies move across all currencies against the dollar, in the same direction by about five percentage points, that probably has an obviously 60% of our business is international, has a top line impact on us of about three percentage, points plus or minus depending on the movement of the FX. And then at the bottom line, it probably has an impact about a penny per share per quarter impact for us. Now again, that is based on if all currencies are moving in the same direction which is generally not the case. Most recently you've seen obviously the move with the yen, strengthening against the dollar, while some of the other currencies have actually weakened.

Larry, just to also revisit one of your last questions, I was thinking you were still on actually working capital related activities over the next few years. I think your question was actually on the tax rate?

Larry Marsh - *Barclays Capital - Analyst*

Yes.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

If that is the case, we think that in 2010, we're still as I mentioned to Jeff, we're still probably targeting a range that's similar to what we are in 2009 -- what we were in 2009. As you move beyond that, I think that a lot of it is still up in the air, based on what both domestic tax-related issues and changes will be, especially as some of the things on the international-related income from what the Obama Administration has at least discussed or identified. And then also what a number of other municipalities, both domestically as well as other international locations will in dealing with their funding-related needs. Based on all of that, I would expect that our tax rate would definitely more than likely increase once we get past 2010, depending on what those changes really are.

Larry Marsh - *Barclays Capital - Analyst*

Right. And directionally, Bill, I know it is way far into the future, but when you sort of think about increases, is that in the magnitude of 50 to 100 bps? Or as you think about your five-year plan, are you concerned that it could be -- you could be faced with couple hundred bps increase in your tax rate?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

I think some of the comments out of the Obama Administration obviously are concerning to any international-related company. But there's a lot of issues around those discussions yet, a lot of negotiation that is going to take place. I don't know where those are ultimately going to end up. But, you can be assured that we're already thinking on different concepts on what we need to be doing, in light of some of that moving forward. And we'll try and do the most appropriate tax planning that we can in the face -- in light of those changes.

Larry Marsh - *Barclays Capital - Analyst*

Got it. Okay. And just to clarify, your $0.10 range in guidance obviously moving just in the last week because of currency. It sounds like some of that wide range -- step back, a year ago you had a $0.10 range partly due to your concern with the economy. This year your visibility on the economy is better, but looks like you're signaling the volatility in currency is still there, if not potentially more volatile as you think about this year.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Yes, although, Larry -- although our visibility has improved, that's clearly true. It's not nearly back to what it was two or three years ago. There is still much uncertainty. The $0.10 range on our part was due to some of the variables mentioned there. But as well as it is hard to predict a full-year's results at this point, to the level of accuracy that we think we could done that a few years back.

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Larry Marsh - *Barclays Capital - Analyst*

Okay, and final quick question. Japan, you're taking share there, how do you sort of bracket Japan in terms of strength relative to say Europe and US? And then how do you think about the rest of Asia for a business, and remind us roughly speaking of how much Asia is terms of your total volume?

Chris Clark - *DENTSPLY International Inc. - EVP, COO*

Larry, it is Chris. In terms of Japan, the market in Japan is in far worse shape from a market growth standpoint, when you compare it to the US and to Europe. Mainly because the economy is not in as good a shape, as well and the private sector in particular, which is approximately 20% of the market has been particularly hard hit. Despite that, actually, as I mentioned, we're pleased with our results there. While we didn't grow internally, and we're slightly negative, the fact is we were well better than market. And that's an area that we've continued to make some investments into, to continue to grow that business. And we're pleased in general with how that's perform mag.

In term of rest of Asia, I would say Brett's characterization of it being a kind of -- some of these rest of world countries being recently being a mixed bag, I think that is pretty indicative of the Asian area as well. I think we had some countries where we had particularly strong performances, Taiwan for us was actually quite solid, in India we had some solid performance. But we had some as well that were challenging, the aspects of the Korean business was challenging, and China was challenging. Asia, as a group, quickly looking at this -- is about 5% of the overall business, X Japan. Japan roughly the same, together about 10.

Larry Marsh - *Barclays Capital - Analyst*

Got it. Great.

Operator

Thank you, and our next question comes from Scott Green with Bank of America, Please go ahead.

Scott Green - *BofA-ML - Analyst*

Hi, thanks the question. You said that seven days of inventory changes was worth around 170 basis points of gross margin headwind if I heard you correctly? Is that a reliable model to use going forward to think about the gross margin impact based on inventory changes?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

No, it's not. And that's because if you look at what took place in the fourth quarter, is you not only had the impact of the fourth quarter itself, but you also had some of the carryover impact from the third quarter. You also had it in comparison to periods, the prior year that were actually building inventory. So really within like the fourth quarter, there was like about a 13-day swing factor between last year, or 2008's fourth quarter, and 2007 -- or 2009.

Scott Green - *BofA-ML - Analyst*

Okay. Okay. And did you say in 2010, there would be a swing factor of a couple days? Did I hear you right?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

We believe that we think a reasonable slight improvement off of those days, so flat to an improvement of a, you know, one to two days, I think is a reasonable assumption.

Scott Green - *BofA-ML - Analyst*

Okay. Improvement going up, so a GM tailwind?

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

No, that is and improvement in reducing inventories.

Scott Green - *BofA-ML - Analyst*

So that would be another slight head wind.

Bill Jellison - *DENTSPLY International Inc. - CFO, SVP*

Slight.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think the way to think about that, Scott, every year we have targets to reduce inventories. And this year 2009 was a little bit unusual in that, as the recession occurred, we believe inventory got away from us a little bit in the fourth quarter of 2008 and first quarter of 2009. And thus we had to struggle all year to bring it down, and we brought it back down dramatically in the back half of 2009. As any year we would have goals to bring inventory down some what.

Scott Green - *BofA-ML - Analyst*

Got it. As I think about your guidance for internal growth, you said low single-digits. And I -- I am thinking about the industry model that suggests that the dental market grows a point or two faster than the economy, DENTSPLY typically a premium to that. So is it fair to say that you're suggesting economic growth of no better than flat if you're growing low single-digits internally?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

No I think the way you should think about that and just a little perspective. Dentistry is usually a lagging indicator. We'll go into the recession later than the rest of the economy and typically we come out of it later. In part, that's due to the tied to employment levels, particularly here in the United States where you get your dental insurance from your job. So if you're unemployed, you don't have dental insurance. So we're a little bit of a lagging indicator. I think that, we follow the same economists that you do. Our expectation is GDP will be in the range of 2%, and slightly lower in Europe at this point, would be our overall economic --

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Scott Green - *BofA-ML - Analyst*

Okay. And a question on implants it seems like the industry participants were reporting a somewhat wide range of growth rates across the board. I was wondering how sticky you believe your market share gains are in that segment, given the complexity of the procedure? I recall last year you hosted your first US implant dental symposium. And I was curious what other initiatives you have lined up to build on your momentum there.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

I think our improvement in implants is due to two things. One, is we're investing in the business, including sales and marketing resources, R&D, et cetera. Second, of all we have just a good platform in our two implant lines, ANKYLOS and XiVE, so we have been able to take share. I do believe it is pretty sticky. The large event we have this year is Barcelona in March, where we're hosting -- we do this every other year, a global implant symposium. We expect 3,000 surgeons at that meeting, so that is a large marketing forum for us.

Scott Green - *BofA-ML - Analyst*

And then one last question, on the share count you said around $149 million. I guess over the past couple of years before 2009, we were accustomed to seeing $150 million or maybe a little more in share repurchase activity, when you might have had a little lower cash balance and were still making acquisitions. So has anything changed there in your capital deployment strategy or outlook?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

No. Our priorities for cash deployment are acquisitions first, that could be companies or technologies. Second it would be share repurchases. And third, we do have a modest dividend and we usually increase the dividend in line with earnings growth. And those priorities have remained the same.

Scott Green - *BofA-ML - Analyst*

Okay. Thank you.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Okay. Missy, we're running a little long here. I think we have time for one more question from the field and then we have to conclude.

Operator

Okay, absolutely, we'll take our last question from Jason Rodgers with Great Lakes Review. Please go ahead.

Jason Rodgers - *Soleil -- Great Lakes Review - Analyst*

Thanks for taking the question.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Sure.

Jason Rodgers - *Soleil -- Great Lakes Review - Analyst*

On the reimbursement front, I wonder if you could talk about any significant changes or potential changes globally that you may be monitoring for 2010?

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Sure. And of course this is a mixed bag, as you might expect. Of course, in our major markets in the US, we haven't seen companies really cut back on dental insurance a whole lot. So the trend there is that if people lose their jobs, they lose their insurance, generally speaking. So I think there's a slight reduction in reimbursements in the US. In Europe and major countries, in Europe we've been polling them. There is always a chance you would see reduction in reimbursement, particularly if it's government supplied reimbursement. Although the countries under the most pressure in Europe are not really government-reimbursed.

At this point we don't expect any changes in Europe. The one area where we do expect a change is Japan, which frankly has some of the highest reimbursement rates in the world. And we've come accustomed to the Japanese lowering their reimbursement slightly every couple of years. And at this point we think that they may be due for another reduction in reimbursement. Historically they brought it down about 10 points, when they do bring it down. This year kind of a signal from our business there, and reading of the tea leaves say it might be less than 10, but nevertheless, we might expect a slight reduction in reimbursement.

Jason Rodgers - *Soleil -- Great Lakes Review - Analyst*

Thank you.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Thank you.

Operator

Thank you. We have no further questions. I would like to turn the conference back over to Mr. Bret Wise.

Bret Wise - *DENTSPLY International Inc. - Chairman, CEO*

Okay, Missy, thank you. As mentioned I think it is important that we see some signs of recovery in certain markets. As we are entering 2010 we have renewed confidence, that we'll be able to return to earnings growth this year. We thank you for your continued interest in DENTSPLY, and look forward to updating you on our progress as we go through the year. Thank you.

Operator

This ends today's teleconference. You may disconnect at this time. And have a great day.
